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CORPORATION FILE



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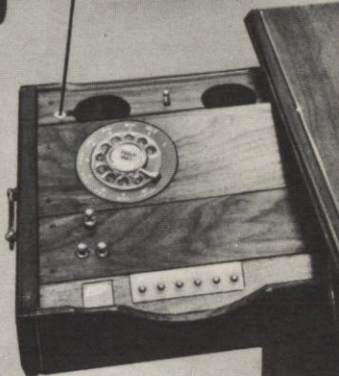
Annual Report 1957

THE CINCINNATI AND SUBURBAN BELL TELEPHONE COMPANY

New telephone services for tomorrow...



New forms of the telephone are in development. This "dial-in handset" model is an entirely new conception.



Some future telephone installations may employ the principle of basic "building blocks" of components assembled to satisfy many different business needs. Here is a typical installation in a desk drawer.



The "Capri", a hands-free dial and microphone unit with associated speaker is being tested by Bell System's Customer Products Planning Division.

An experimental installation of the "drive-in telephone" to make service more convenient for motorists. A bright colored plastic hood shields the instrument from bad weather.



Annual Report

of the directors

1957

**The Cincinnati and Suburban
Bell Telephone Company**



Directors • Officials

Directors

*ARCHIBALD J. ALLEN	<i>Retired, former President of the Company</i>
*WILLIAM G. BARTH	<i>Vice President and Comptroller of the Company</i>
**JOHN J. BECKER	<i>Retired, former Vice President of the Company</i>
RICHARD R. DEUPREE	<i>Chairman of the Board The Procter and Gamble Company</i>
*CHARLES W. DUPUIS	<i>Chairman of the Board The Central Trust Company</i>
**DAVID M. FORKER, JR.	<i>President, The William Powell Company</i>
*JOSEPH B. HALL	<i>President, The Kroger Company</i>
HARVEY P. JOHNSTON	<i>Vice President of the Company</i>
*BAYARD L. KILGOUR, JR.	<i>President of the Company</i>
REUBEN B. ROBERTSON, JR.	<i>President The Champion Paper and Fibre Company</i>

**Members of the Executive Committee*

***Alternate members of the Executive Committee*

Officials

BAYARD L. KILGOUR, JR.	<i>President</i>
HARVEY P. JOHNSTON	<i>Vice President</i>
WILLIAM G. BARTH	<i>Vice President and Comptroller</i>
EUGENE E. DRULEY	<i>Vice President</i>
DON M. ARNETTE	<i>Secretary and Treasurer</i>
BERZ S. WAGNER	<i>Chief Engineer</i>
JAMES W. CURTIS	<i>General Commercial Manager</i>
WILLIAM A. HAMMELRATH	<i>General Plant Manager</i>
CALVERT A. BOYD	<i>General Traffic Manager</i>
CLIFFORD D. COY	<i>General Personnel Manager</i>
EDWIN S. KINNEY	<i>General Public Relations Manager</i>
CARL M. JACOBS	<i>General Counsel</i>

The statements and data in this report are for The Cincinnati and Suburban Bell Telephone Company, including a wholly-owned subsidiary—Citizens Telephone Company.



Report in Brief

Telephones—The half-millionth telephone was installed on January 18th. On December 31 we were serving 519,672 telephones, a gain of 21,384 during the year.

Calls—Local calls handled again increased to an average of 2.4 million per day. Distance calls averaged 59,000 per day, of which 19,000 were dialed direct by the customer.

Plant Investment—stood at \$140.4 million at the end of the year—an increase of \$11.2 million. The average investment per telephone continued its upward trend, increasing from \$258 in 1956 to \$267 in 1957.

Taxes—Operating taxes amounted to \$10.2 million, or 53% of payroll. Excise taxes added \$4.7 million. Through the telephone bill the average telephone contributed \$29.26 for the support of government.

Wages—and related costs for 1957, for approximately the same number of employees as in 1956, amounted to \$21,095,000, an increase of \$1,502,000 over 1956.

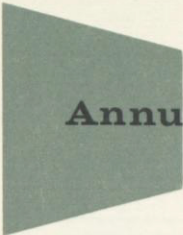
Earnings—available for interest and dividends increased by \$139,000. However, the earnings per average share outstanding declined from \$5.57 to \$5.28. There were 124,521 more shares outstanding and 971 more share owners at the end of 1957. The total number of share owners is now 11,716.

Dividends—1957 was the 79th consecutive year in which dividends were paid. The regular dividend of \$4.50 was declared.

Financial Facts

Two-Year Summary

	<u>1957</u>	<u>1956</u>
Operating Revenues.....	\$45,553,000	\$42,964,000
Operating Expenses.....	\$27,900,000	\$25,538,000
Operating Taxes.....	\$10,188,000	\$10,107,000
Federal Income Taxes.....	\$ 6,957,000	\$ 7,154,000
Other Operating Taxes.....	\$ 3,231,000	\$ 2,953,000
Earnings Available for Interest and Dividends	\$ 7,523,000	\$ 7,384,000
Interest Charges.....	\$ 749,000	\$ 412,000
Net Income Available for Dividends and for Earnings Retained.....	\$ 6,774,000	\$ 6,972,000
Number of Common Shares—		
End of Year.....	1,374,438	1,249,917
Average Shares	1,281,047	1,249,917
Earnings per Average Share.....	\$5.28	\$5.57
Dividends Paid per Share.....	\$4.50	\$4.50
Total Wages and Related Costs..	\$21,095,000	\$19,593,000
Construction Expenditures.....	\$14,218,000	\$12,056,000



Annual Report of the Directors

1957

TO THE SHARE OWNERS:

Telephones in service increased by 21,384 during 1957. Although very substantial, this growth was at a slower rate than in 1956. Use of the telephone for both local and distance calling also increased, the former by 6.6% and the latter by 11.0% over 1956.

Large expenditures were again required to meet current and future demands for telephone service and to keep it improving in step with the rapid pace of technological development. This year pointed up the difficult problem of maintaining a satisfactory earnings level when faced with the necessity of large scale expansion and improvement of telephone facilities during a period of rising costs.

As a public utility we are obligated to provide service to all who wish it; we cannot select the period that is most favorable for our expansion. We are confident, however, that through whatever additional operating economies may be accomplished and if adequate increases in the prices we charge for telephone service are allowed by the regulatory authorities whenever they are necessary, adequate earnings can be maintained. Only if earnings are adequate can we attract the investment money so necessary to continue the large expansion and maintain the Company's policy of providing the best possible service to all of our customers.

Revenues during 1957 increased as a result of growth, but expenses increased at a faster rate. Earnings available for interest



Engineers plan a reroute of telephone underground plant to accommodate construction of Cincinnati's Third Street Traffic Distributor. This relocation will cost the Telephone Company \$224,000.

and dividends increased \$139,000 over 1956. Earnings per average share outstanding were \$5.28 as compared to \$5.57 for the previous year. This decrease is due principally to increased wage costs, depreciation expense on a greatly expanded plant and to the additional shares issued in October.

The regular dividend of \$4.50 per share was declared, making 1957 the 79th consecutive year in which the Company has paid dividends. Share owners of record on August 27 also received rights to subscribe to one additional share at par, \$50, for each 10 shares held. Share owners who used their rights to purchase stock were thus able to increase the return on their investment. The average market price realized from the sale of rights was \$2.67 per right.

The present era of highway improvement is contributing to the upward cost trend in an unusual degree. Utilities are required to bear the costs of relocating their facilities where necessary to accommodate certain highway construction. The states in which we operate are not among the sixteen which have enacted legislation to take advantage of the provision of the Federal Highway Act whereby, if the states agree to pay 10% of such relocation costs, the Federal government will pay 90%.

The Company's direct taxes, levied by Federal, State and local governments, again increased. They amounted to \$10,188,000 or \$7.95 per average share of stock outstanding in 1957.

The Company also acts as collector of the 10% excise tax which it is required to add to customers' bills and remit to the Federal government. In 1957 this tax amounted to \$4.7 million—a sum which when added to direct Company taxes, required \$.27 out of each customers' telephone service dollar, or \$29.26 per average telephone in service.

The Company has always considered the excise tax on its service discriminatory and unfair to its customers since it is the

only one of the four essential household utility services (water, gas, electricity and telephone) to bear this additional burden. While we are fully aware of the task of the Congress in obtaining tax revenue sufficient for the Country's present needs, we are mindful also of the fact that telephone users, exclusive of the excise tax, already are paying a full share of the nation's tax bill. With it we think they are paying more than their fair share. It therefore seems unreasonable that this additional tax, which began as a revenue producing measure in 1932 and was expanded in 1941 to meet World War II emergencies, should be allowed to continue indefinitely. When the time comes that taxes can be reduced, we believe the excise tax on telephone service should be among the first to get attention from Congress.

The action brought by two of the Company's customers on behalf of all customers in 1954, seeking to compel the Company to make restitution of some part of the rates collected while the order of The Public Utilities Commission of Ohio of May 28, 1953, was in effect and which was decided in the Company's favor by the Supreme Court of Ohio in March of 1957, was finally disposed of in December of 1957 by the Supreme Court of the United States when it sustained the Company's motion to dismiss the appeal filed by the plaintiffs in the Supreme Court of the United States.

Plant expansion continues

The unprecedented expansion of telephone plant facilities required to meet service demands following the end of World War II continued last year. Plant investment increased by \$11,170,000. This compares with \$9.6 million in 1956. The total investment in telephone plant is now \$140,406,000 and the average investment per telephone stands at \$267 or \$9 higher than at the end of 1956. This upward trend shows no present promise of being arrested. It results both from the



The Jackson building addition nears completion. It will provide space to serve 10,000 additional customers in this growing area.

large capital cost of needed plant expansion and the additional capital cost of replacing worn out plant, placed in a period of lower costs, at today's higher prices.

A large addition to the Jackson central office building in Mt. Healthy, Ohio has added capacity to serve 10,000 additional customer numbers in this fast-growing area. Building additions required for growth were also made to our central office buildings in Butler and Falmouth, Kentucky and in Loveland, Ohio. Work has been started on the new Spruce central office building at Maud, Ohio to replace the present office at Bethany in a location nearer the center of this expanding community.

Equipment additions for 26,000 customers' lines were installed in 18 of our central offices.

Substantial additions were made to our network of special video circuits designed to pick up television programs from key points throughout the area we serve.

The cable distribution plant was expanded by the addition of 990 million conductor feet of wire. To avoid delay in providing service to customers portions of this cable were obtained

through the Western Electric Company from suppliers in Canada, England, Germany, Italy, Spain and Japan. The wire plant now contains a total of 11.4 billion conductor feet.

The confidence of our supplier, the Western Electric Company, in the telephone future of this area is expressed in their decision to construct a new multi-million dollar distributing center in Woodlawn, Ohio. This new building, which will soon be occupied, provides floor space for Telephone Company use, in the amount of 11% of the total.

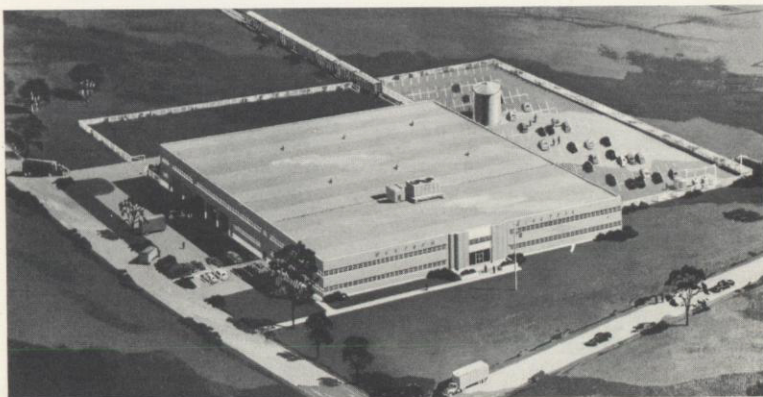
Financing

The money needed to finance the additions and improvements to our telephone plant was obtained through temporary loans from banks and through advances from the American Telephone and Telegraph Company.



Reels of foreign-made cable arrive on the job.

An artist's sketch of the new multi-million dollar Western Electric Distributing House and Repair Shop soon to be occupied.



In September the Company offered to its share owners 124,991 shares of additional capital stock for subscription at par, \$50, in the ratio of one share for each 10 shares owned of record on August 27, 1957. Subscriptions were received for 124,521 shares, or 99.6% of those offered. The new shares were issued as of October 3, and participated in dividends declared after that date. The number of shares now outstanding is 1,374,438.

The proceeds of the new issue, amounting to \$6,200,000, were used to reduce temporary bank loans.

The number of share owners has increased from 10,745 at the end of 1956 to 11,716 at the end of 1957. 74% reside in the area served by the Company. 6,468 are women, 3,511 are men, the balance being chiefly joint accounts, trusts, insurance companies and institutions.

Service use and improvement

In 1957 the volume of telephone calls again increased. Local calls were averaging 2.4 millions per day, up 150,000 per day over 1956. Distance calls also increased 6,000 per day over 1956 to an average of 59,000.

During 1957, direct distance dialing service was expanded by increasing both the number of customers who are able to dial inter-city calls and the number of places that they can dial.

Customer acceptance of this service improvement, introduced locally in 1956, continues to be gratifying. At the beginning of 1957, our customers were dialing inter-city calls at the rate of 325,000 per month. Installations of new equipment in our offices at Hamilton and Batavia, Ohio, and at Williamstown, Kentucky, during 1957 enabled 30,000 more of our customers to place their own inter-city, station-to-station calls by direct dialing. Installations of equipment in Dayton, Winchester,

Xenia, Sidney and Troy, Ohio, by companies operating in those areas, added forty-five inter-city points to which our customers can dial. In January, 1958 our customers were dialing inter-city calls at the rate of 522,000 per month. This rate is expected to reach 613,000 calls per month by the end of 1958.

In the near future wider range customer dialing will begin. This, in turn, means faster long distance calling. The ultimate plan will permit station-to-station dialing of inter-city calls to virtually any point in the United States or Canada.

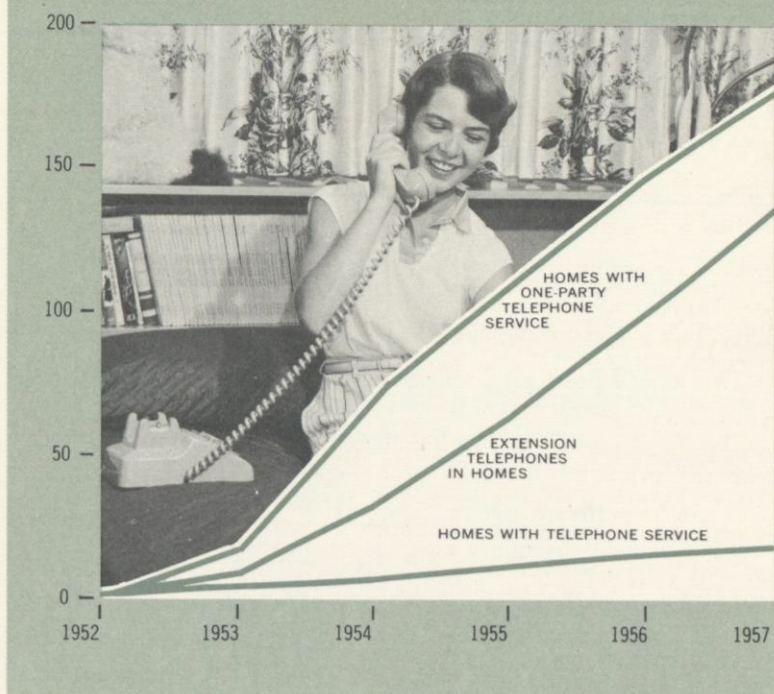
Rate boundary changes in Loveland, Ohio, effective in September, and in Hamilton, Ohio, in October gave an improved grade of service to over 2,000 customers.

The job of preparing monthly statements for customer billing continues to grow with the rapid expansion of the business. In the past ten years, we have added 120,000 to our list of customer accounts to bring the total number of customers' statements being prepared monthly to 350,000. During 1957, our billing processes were modernized further by the installation of punch card accounting equipment to produce the monthly statements. This modern equipment improves our billing service, produces immediate economies, lays the groundwork for further clerical mechanization and provides a system that can be expanded readily to accommodate the greater numbers of customers we expect in the future.

Telephone growth

Not only is the service growing in number of telephones, but more and more customers are enjoying the benefits of one-party service. The accompanying chart shows how substantial this one-party growth has been. There is every indication that it will continue.

Growth in residence telephones per cent increase since 1952



The attractive teen-age daughter of one of our customers makes her first call over an individual residential line installed for her personal enjoyment.

The chart also depicts the gratifying growth in residence extensions which last year increased by 9,557. Just three years ago only 14% of the homes having telephone service enjoyed the use of more than one telephone. At the end of 1957, 19% were enjoying extension service. In that period 28,550 residence extensions have been installed, many of them in color. In addition to the 57 men and women who are engaged in full time sales work, all of our people now sell service. The girls



The customer looks pleased as a result of her experience in using the experimental "hands-free" speakerphone installed in Cincinnati's City Hall.

who work in our business offices and the installer repairmen who work in our customers' homes deserve special recognition for sales made in the course of their day-to-day contacts.

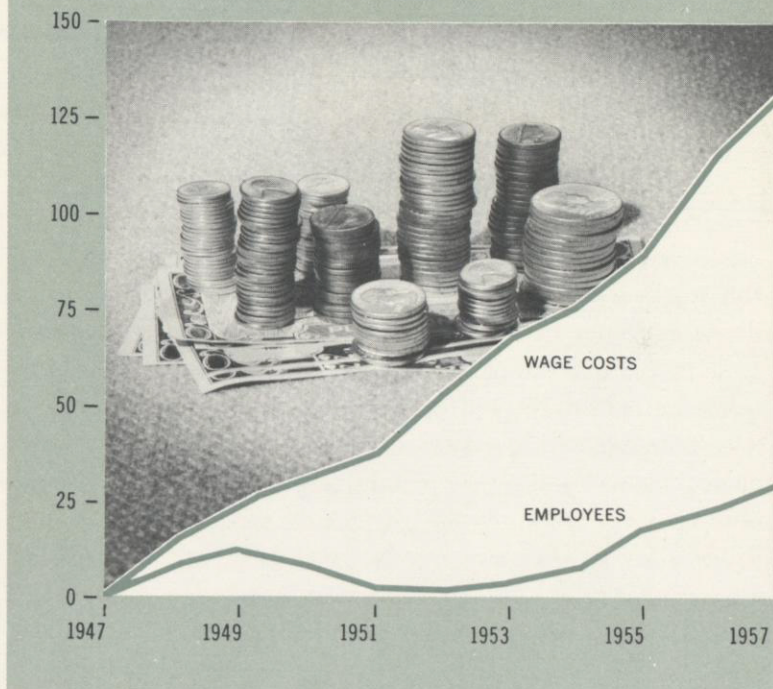
A customer products planning group, serving the entire Bell Telephone System, is engaged in anticipating customer needs for new services and instrumentalities and in developing equipment to meet these needs. The inside covers of this report picture a few of the many new services under investigation or development stemming from this activity which is expected to favorably influence the trend of future business. One local example is the "hands-free" speaker-phone type of public coin telephone presently on trial in Cincinnati's City Hall.

Telephone people

Good and efficient telephone service is not possible without the loyalty and team work of qualified telephone men and women. We again had splendid support from the telephone team in 1957.

Although numerically the force did not increase, wages and related costs (payments into pension fund, disability and death benefits, social security taxes, group insurance premiums, etc.) increased by \$1,502,000. 75% of this cost was charged to

Employees and wage costs per cent increase over 1947



operating expenses. The labor factor accounted for 59% of total operating expenses. The accompanying chart shows a comparison between the percent increase in employees and the percent increase in their total wage costs since 1947.

Collective bargaining between the Company and the union representing our non-management employees resulted in a new contract effective on December 1, 1957 for a 15 month period. Wage increases provided for in this contract continue to keep our wage rates comparable with community standards. These increases, when added to those for employees not represented

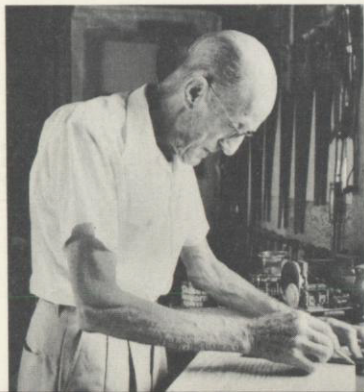
by the union, have increased our labor costs by an estimated \$930,000 per year.

In June a group life insurance program to be financed jointly by the Company and participating employees was offered to all employees. The plan provides that an employee may buy an amount of life insurance equal to his annual salary rounded off to the next higher \$1,000 at a cost of 50 cents a month for the first \$2,000 and 50 cents for each additional \$1,000. The company will pay all expenses of administering the plan and all additional insurance costs.

Initially the union did not accept the plan; therefore it was made effective on June 17 for participation of all employees not eligible to union membership. Over 90% took advantage of the program. In November, the union notified the Company that it was prepared to execute an agreement along similar lines. Such an agreement was signed on December 11. A participation of 88% of the union eligible employees resulted.

Amounts accrued for employees' service pensions are determined actuarially and paid to the Bankers Trust Company of New York as trustee of the Pension Fund. These payments during the year amounted to \$1,149,000. The fund amounted to \$15,892,000 at the end of 1957. It is assigned irrevocably to service pension purposes and is not a part of the assets of the Company. Benefit payments on account of sickness, accident and death totaled \$532,000.

Employee participation in one or more of several thrift plans aided by payroll deduction increased to about 86%. The total



A retired employee works at his hobby in his home workshop.

of such deductions for 1957 amounted to \$1,992,000 or 10.3% of payroll.

Telephone people continued to demonstrate their sense of responsibility to the community during 1957. For the 8th consecutive year they increased their participation and average gifts to the United Appeal and many managers served on teams which solicited others in the business community.

Also many employees continue to participate in and give leadership to the activities of professional societies, service clubs and community service organizations.

Earning public approval

Hundreds of influences are continually at work shaping customers' attitudes. Our regular customer attitude surveys identify many of them. We know, for example, that the high quality of the service speaks for itself, always creating generally favorable attitudes. But telephone people must speak for the Company. Well informed employees who use their opportunities to talk to customers have been found to be effective builders of favorable public attitudes toward the cost of the service and the Company's reputation. We therefore endeavor to keep the lines of communication with our people open and efficient in order that they may be in a position to realize their full potential as contributors to the always important task of earning public approval.

We feel that in a very real way share owners are "telephone people" too, in the sense that their interests are identical with those of the Company and its employees. For this reason, one objective of this annual report is to furnish our growing list of share owners with the kind of information which will keep them fully aware of the Company's progress.

Of course we also communicate with customers directly through the press, lectures, demonstrations, inspection trips, the many forms of advertising and through radio, television and the motion picture.

In the latter field we are participating in the Bell System Science Series, directed toward stimulating young people to follow scientific and engineering pursuits. This series, typified by "Our Mr. Sun", "Hemo the Magnificent", "The Strange Case of the Cosmic Rays", "The Unchained Goddess", and others to come has proved to be especially timely and has met with very favorable public acceptance. These films, in color, are available for showing, from our Public Relations Department.

Organization changes

Mr. Reuben B. Robertson, Jr., President of The Champion Paper and Fibre Company in Hamilton, Ohio was elected a director on May 6, to succeed Mr. George E. Rentschler who resigned because of business activities which required him to move away from the Cincinnati area. Mr. Robertson had previously served as a director of this Company, resigning in August 1955 to accept the appointment as Deputy Secretary of the Department of Defense.

Safety

Our Company continues to be among the safest places to work in the community. Hamilton, Ohio employees received the National Safety Council's Award of Merit for having accumulated over one million man hours of work time without a lost time accident. This is the first time this award has ever been presented to our Company. The Company again shared in the 1956 "Award of Honor" of the National Safety Council presented collectively to the Bell System companies for outstanding safety performance.

In the entire area five lost time accidents were recorded as compared with four in 1956. This represented 1,576,446 man hours worked per lost time accident.

Our motor vehicle drivers turned in a safe driving performance statistically about equal to that of the previous year. Safe and courteous driving is a subject continually stressed in all of our operations.

During the year two employees received company citations for acts of assistance to the public beyond the call of duty. They were Carl R. Schaefer and James E. Stone.

We could not conclude this report without expressing to our share owners our appreciation for their continued support as demonstrated by their participation in the October share offerings. We welcome the many new owners who purchased shares in 1957.

Thanks are also due for the excellent employee team work again so much in evidence, both in carrying forward the day-by-day job, and in meeting and mastering the many emergencies which inevitably confront us in providing dependable telephone service.

The continued understanding and co-operation of the public, as indicated by the many communications we receive from them, is also deeply appreciated. It did much to make our task pleasant in 1957.

For the Directors,

B. L. KILGOUR, JR.

President.

Assets

	<u>Dec. 31, 1957</u>	<u>Dec. 31, 1956</u>
Plant and Other Investments		
Telephone Plant in Service	\$138,753,763	\$128,357,322
Telephone Plant Under Construction	1,644,759	871,717
Property Held for Future Telephone Use	7,042	6,750
Telephone Plant (see page 24)	140,405,564	129,235,789
Investment in Subsidiary not Consolidated	452,477	432,477
Capital stock, at cost	\$302,477	
Advances	150,000	
Other Investments	144,750	144,750
TOTAL PLANT AND OTHER INVESTMENTS	<u>\$141,002,791</u>	<u>\$129,813,016</u>
Current Assets		
Cash	\$ 2,793,341	\$ 1,436,956
Special Cash Deposits and Working Funds	50,778	45,621
Receivables	5,406,617	5,410,893
Amounts due for service (less reserve for uncollectible ac- counts), toll settlements and miscellaneous items.		
Material and Supplies (see Note on page 23)	842,789	1,842,016
Principally for construction and maintenance purposes.		
TOTAL CURRENT ASSETS	<u>\$ 9,093,525</u>	<u>\$ 8,735,486</u>
Prepayments and Deferred Charges		
Prepayments	\$ 455,825	\$ 339,406
Principally insurance and cost of directories applicable to periods after close of year.		
Deferred Charges	62,850	122,126
TOTAL PREPAYMENTS AND DEFERRED CHARGES	<u>\$ 518,675</u>	<u>\$ 461,532</u>
TOTAL ASSETS	<u><u>\$150,614,991</u></u>	<u><u>\$139,010,034</u></u>

Consolidated Balance Sheet

Liabilities

	<u>Dec. 31, 1957</u>	<u>Dec. 31, 1956</u>
Share Owners' Equity		
Common Stock.....	\$ 68,721,900	\$ 62,495,850
Par value of common stock outstanding. (Authorized 2,000,000 shares; outstanding 1,374,438 shares at December 31, 1957.)		
Premium on Common Stock.....	72,756	72,756
Amount received in excess of par value.		
Retained Earnings (see page 23).....	10,453,626	9,483,216
TOTAL SHARE OWNERS' EQUITY.....	\$ 79,248,282	\$ 72,051,822
Advances from American Telephone and Telegraph Company.....		
	\$ 1,480,000	—
Current and Accrued Liabilities		
Notes Payable to Banks.....	\$ 14,830,000	\$ 13,705,000
Temporary financing of plant additions.		
Accounts Payable and Other Current Liabilities.....	4,199,829	4,187,587
Amounts owing for payrolls, supplies, toll settlements, and miscellaneous items.		
Advance Billing for Service, and Customers'		
Deposits.....	1,257,874	1,207,879
Dividend Payable.....	1,553,115	1,412,406
Taxes Accrued.....	7,602,820	8,095,035
Interest Accrued.....	167,346	118,648
TOTAL CURRENT AND ACCRUED LIABILITIES.....	\$ 29,610,984	\$ 28,726,555
Deferred Credits.....	\$ 12,881	\$ 10,567
Depreciation Reserve.....	\$ 40,262,844	\$ 38,221,090
Portion of cost of telephone plant which has been charged against operations.		
TOTAL LIABILITIES.....	\$150,614,991	\$139,010,034

THE CINCINNATI AND SUBURBAN
BELL TELEPHONE COMPANY AND
CITIZENS TELEPHONE COMPANY

Comparative

	Year 1957	Year 1956
Local Service Revenues	\$ 34,538,695	\$ 32,764,143
Toll Service Revenues	8,594,390	8,036,369
Miscellaneous Revenues	2,565,088	2,255,978
Principally from directory advertising.		
Less: Uncollectible Revenues	145,444	92,577
Total Operating Revenues	\$ 45,552,729	\$ 42,963,913
Current Maintenance (see Note)	\$ 9,315,102	\$ 10,193,354
Depreciation Expense (see Note)	5,852,417	3,586,542
Portion of cost of depreciable property charged against current operations. These charges are based on rates designed to spread this cost uniformly over the service life of the property and represented approximately 4.5% in 1957 and 3.3% in 1956 of the average investment in depreciable plant.		
Traffic Expenses	3,926,131	3,752,602
Costs incurred in the handling of messages, principally operators' wages.		
Commercial Expenses	3,464,093	3,163,324
Costs incurred in business relations with customers; public telephone commissions; cost of directories, advertising, etc.		
Operating Rents	292,217	280,192
Rents for the use of buildings, poles and other facilities.		
GENERAL AND MISCELLANEOUS EXPENSES		
General Administration	268,602	261,204
Accounting and Treasury Departments	1,997,495	1,728,967
Provision for Employees' Service Pensions	1,148,997	1,128,433
Employees' Sickness, Accident, Death and Other Benefits	417,692	312,308
Services Received under License Contract	426,923	402,613
Other General Expenses	1,434,568	1,271,381
Less: Expenses Charged Construction	643,858	542,570
Total Operating Expenses	\$ 27,900,379	\$ 25,538,350
Net Operating Revenues (carried forward)	\$ 17,652,350	\$ 17,425,563

Consolidated Income Statement

	Year 1957	Year 1956
Net Operating Revenues (brought forward)	\$ 17,652,350	\$ 17,425,563
OPERATING TAXES		
Federal Taxes on Income	\$ 6,957,000	\$ 7,154,000
Other Taxes—state, local and social security . . .	3,230,600	2,953,100
Total Operating Taxes	\$ 10,187,600	\$ 10,107,100
NET OPERATING INCOME	\$ 7,464,750	\$ 7,318,463
Interest Charged Construction	80,808	100,600
Other Income	40,991	36,697
Miscellaneous Deductions from Income	63,634	71,676
INCOME AVAILABLE FOR FIXED CHARGES	\$ 7,522,915	\$ 7,384,084
Interest Deductions	748,924	412,032
NET INCOME	\$ 6,773,991	\$ 6,972,052

Note: Effective January 1, 1957, a revised practice of accounting for station equipment was prescribed by the Federal Communications Commission and adopted by the Companies. In connection therewith, there was transferred to Telephone Plant \$1,077,987 representing the cost of certain items of equipment previously included in Material and Supplies pending installation. Such items are now charged to Telephone Plant as purchased. This change in accounting practice also had the effect of increasing Depreciation Expense and reducing Current Maintenance with no material effect on net income.

COMPARATIVE CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	Year 1957	Year 1956
Balance, beginning of year	\$ 9,483,216	\$ 8,135,482
Net Income (from Income Statements)	\$ 6,773,991	\$ 6,972,052
Miscellaneous Additions	83	309
TOTAL ADDITIONS	\$ 6,774,074	\$ 6,972,361
Dividends Declared	\$ 5,765,335	\$ 5,624,627
Miscellaneous Deductions	38,329	—
TOTAL DEDUCTIONS	\$ 5,803,664	\$ 5,624,627
Balance, end of year	\$ 10,453,626	\$ 9,483,216



Certifications

The consolidated financial statements which appear on pages 20 to 23, inclusive, consolidate the accounts of The Cincinnati and Suburban Bell Telephone Company and Citizens Telephone Company. The latter Company operates the Kentucky properties of The Cincinnati and Suburban Bell Telephone Company under a lease which provides that all net earnings of the lessee shall accrue to the lessor as rent.

These companies have for many years maintained their accounts in accordance with the Uniform System of Accounts prescribed for telephone companies by the Federal Communications Commission.

Telephone plant, with minor exceptions, is stated at cost to the Company.

W. G. BARTH,
Vice President and Comptroller

The Cincinnati and Suburban Bell Telephone Company
Cincinnati, Ohio

We have examined the consolidated balance sheets of The Cincinnati and Suburban Bell Telephone Company and Citizens Telephone Company as of December 31, 1957 and 1956, and the related consolidated statements of income and retained earnings for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements (pages 20 to 24) present fairly the consolidated position of The Cincinnati and Suburban Bell Telephone Company and Citizens Telephone Company at December 31, 1957 and 1956, and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis except for the change in accounting for station equipment described in the Note to the consolidated financial statements, which change we approve.

LYBRAND, ROSS BROS. & MONTGOMERY

Cincinnati, Ohio
February 3, 1958

**...to keep ahead of
customer needs**



In experimental use is the personal pocket radio signalling device pictured above. A pleasing tone notifies the user that he should call a pre-determined telephone number.



This small, compact, new console type private branch exchange, custom tailored to the requirements of small firms, can handle up to 60 station lines.

The home communication system of tomorrow may feature "memory" push button dialing, with door and inter-room communication using speaker phones.



The compact oval telephone is another new form under development. It is light in weight and colorfully pleasing to the eye.



Our line of color telephones now includes five new colors for home and office use—light grey, pink, white, light blue and light beige.

